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LOK SABHA

The following Bill was introduced in Lok Sabha on the 31st August, 1956:—

BILL* No. 60 of 1956

**A Bill further to amend the Central Excises and Salt Act, 1944.*

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

1. This Act may be called the Central Excises and Salt (Amendment) Act, 1956.

Short title.

2. In the First Schedule to the Central Excises and Salt Act, 1944, in Item No. 12,—

Amendment
of the First
Schedule,
Act I of
1944.

(a) in sub-item (1), for the words "Two annas and six pies per square yard", the words 'Six annas per square yard' shall be substituted;

(b) in sub-item (2), for the words 'One anna and nine pies per square yard', the words 'Six annas per square yard' shall be substituted;

(c) in sub-item (3), for the words 'One anna per square yard', the words 'Four annas per square yard' shall be substituted;

*The President has, in pursuance of Clause (1) of Article 117 and Clause (1) of Article 274 of the Constitution of India, recommended to the Lok Sabha the introduction of the Bill.

(d) for sub-item (4), the following sub-item shall be substituted, namely:—

"(4) Cotton fabrics, coarse—that is to say,	Four annas
fabrics in which the average count of	per square
yarn is less than 17s.	yard."

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clause 2 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

STATEMENT OF OBJECTS AND REASONS

During the last few months, prices of mill cloth have recorded increases which are out of proportion to the increase in cotton prices. The following table of indices gives the trend of prices of both cotton cloth and cotton:

MONTH	COARSE		MEDIUM		FINE		SUPERFINE	
	Cloth price	Cotton mix price	Cloth price	Cotton mix price	Cloth price	Cotton mix price	Cloth price	Cotton mix price
1956								
Jan.	39.60	14.35	46.13	18.12	65.60	29.72	142.37	40.61
Feb.	39.60	14.35	47.25	18.12	68.80	29.72	142.80	40.61
March	41.37	14.35	50.56	18.12	73.62	29.72	152.80	40.61
April	45.50	15.01	58.88	18.16	75.67	33.06	158.50	47.34
May	47.57	15.01	64.90	18.16	84.20	33.06	164.80	47.34
June	46.78	15.01	64.92	18.16	83.70	33.06	165.51	47.34

2. In a typical case, namely, long cloth of the medium category, the statement below will show how wholesale prices have risen by one anna per yard between April and August 1956 even though on the basis of the current costs, the ex-mill price of the cloth, as determined by the formula prescribed by the Tariff Commission, should remain unaltered:

	February 1956	April 1956	August 1956
	Rs. A. P.	Rs. A. P.	Rs. A. P.
(1) Wholesale price per yard	1 1 0	1 1 6	1 2 6
(2) Fair ex-mill price	0 14 9	0 14 11	0 14 11
(3) Excise duty including handloom cess.	0 0 9	0 1 3	0 1 3
(4) Wholesaler's margin	0 0 6	0 0 6	0 0 6
(5) Wholesaler's price	1 0 0	1 0 8	1 0 8
(6) Extra profit made by the wholesaler	0 1 0	0 0 10	0 1 10

In certain qualities such as coarse drill, the extra profits are as high as 40 per cent. Clearly, advantage has been taken of the larger demand for cloth to earn unreasonably high profits.

3. It is necessary to mop off these extra profits and the proposal in the Bill is intended to achieve this object. As market conditions vary from time to time, it is desirable to have some flexibility in the hands of Government to deal with the situation as it arises from time to time.

4. The duties proposed in the Bill are 4 annas per sq. yd. on coarse and medium cloth and 6 annas per sq. yd. on fine and superfine cloth. It is not intended, however, immediately to enforce these rates to the full extent. Some increases are being made now and it is the intention that a constant watch be kept on the movement of prices and to the extent that excessive profits are made in relation to the fair ex-mill price as worked out on the basis of the formula of the Tariff Commission, an increasing percentage of such profits may be taken away as excise duty. Correspondingly, if prices indicate a downward trend, necessary adjustments will be made in the excise duty.

5. Under the Provisional Collection of Taxes Act, 1931, the rates proposed in the Bill become effective from the midnight of the 31st August 1956. Simultaneously, however, a notification is being issued under Rule 8 of the Central Excise Rules, 1944, by which exemptions are being given from these ceiling rates so as to make the following rates of duty effective from the 1st September, 1956, as against the current rates shown in the preceding column:

										Per square yard (exclusive of hand- loom cess)	
										Current rates †	Proposed rates
(a) Superfine	.	.	.	.	.	.	.	.	.	0 2 6	0 4 0
(b) Fine	.	.	.	.	.	.	.	.	.	0 1 9	0 3 0
(c) Medium	.	.	.	.	.	.	.	.	.	0 1 0	0 2 0
(d) Coarse (dhoties and sarees)	.	.	.	.	.	.	.	.	.	0 0 6	0 0 6
(e) Coarse (all other varieties)	.	.	.	.	.	.	.	.	.	0 1 0	0 1 6

Government are satisfied that the rates proposed above are sufficient to take care of the present situation.

T. T. KRISHNAMACHARI.

NEW DELHI,
The 31st August, 1956.

M. N. KAUL,
Secretary,